

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 EUR-25 RSR-01 DODE-00 IGA-02

ABF-01 /156 W

----- 120307

R 180301Z AUG 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 2638

INFO AMEMBASSY SAIGON

C O N F I D E N T I A L PHNOM PENH 8620

FOR STATE/AID

E.O. 11652: GDS

TAGS: EAID, EFIN, CB

SUBJ: GKR JUNE F/X RESERVES AND ESF 1974

REF: (A) PHNOM PENH 6800

(B) STATE 157085

1. UPDATE OF REF (A) SHOWS GKR FOREIGN EXCHANGE POSITION AT THE
END OF JUNE AS FOLLOWS (DECEMBER 1972 AND MARCH DATA ARE SHOWN
FOR COMPARISON):

END MONTH F/X RESERVES

(U.S.\$ MILLION)

A. USEABLE RESERVES	DEC	MARCH	JUNE
GOLD	15.6	17.4	17.4
DOLLAR HOLDINGS	3.8	7.5	10.9
TIME DEPOSITS	.6	.7	0.0
DSR'S	4.6	5.1	4.9
ADB BONDS	1.0	1.0	0.0

TOTAL 25.6 31.7 33.2

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B. PLUS REIMBURSEMENTS DUE

FROM ESF	0.0	2.4	0.0
FROM CIP	3.3	.4	.6

C. LESS LIABILITIES

TO COMMERCIAL BANKS	3.2	3.7	2.7
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D. NET USEABLE FOREIGN

EXCHANGE POSITION	25.7	30.4	31.1
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2. NOT INCLUDED IN THE ABOVE FIGURE FOR NET USEABLE F/S IS APPROXIMATELY \$8.4 MILLION EQUIVALENT IN BLOCKED FRENCH FRANCS. WE UNDERSTAND THAT THE ORIGINAL SOURCE OF THESE FUNDS WAS FROM DIVISION OF THE ASSETS OF THE BANQUE D'INDOCHINE (WHICH HAD ACTED AS A CENTRAL BANK FOR INDOCHINA UNDER THE FRENCH ADMINISTRATION) UNDER THE 1954 GENEVA ACCORDS ON INDOCHINA. THE FUNDS BECAME BLOCKED IN A DISPUTE BETWEEN THE COUNTRIES ON THE ACTUAL DIVISION OF THE ASSETS. SEVERAL ATTEMPTS TO NEGOTIATE THE DIFFERENCES OVER THE SUCCEEDING YEARS HAVE FAILED. WE BELIEVE THAT THE MAJOR PROBLEM EXISTS BETWEEN SOUTH VIETNAM AND CAMBODIA.

3. DURING THE RECENT IMF TEAM VISIT, MEMBER JOHNSON WAS QUERIED AS TO THE POSSIBLE SOURCE OF THE GKR CONTRIBUTION TO THE EST IN 1974. JOHNSON (ROTECT SOURCE) STATED OFF THE RECORD THAT THE FUND WOULD TRY LATER THIS YEAR TO REOPEN NEGOTIATIONS BETWEEN CAMBODIA AND VIETNAM REGARDING THE MATTER OF THE BLOCK FRENCH FRANCS. IF THE PROBLEM IS RESOLVED, HE FELT THAT THESE FUNDS WOULD BE THE MAJOR SOURCE OF THE GKR'S CONTRIBUTION TO THE ESF. GIVEN THE F/X SITUATION HERE AND IN SOUTH VIETNAM, AND THE FACT THAT THE IMF HAS NOW RE-ESTABLISHED A RESIDENT REPRESENTATIVE IN SOUTH VIETNAM, JOHNSON FELT IT WAS POSSIBLE THAT DIFFERENCES COULD BE RESOLVED.

4. WE SUGGEST THAT WASINGTON SHOULD DETERMINE THE FUND'S OFFICIAL POSITION ON THIS MATTER. REF (B) PARA.4 SEEMS TO CONFLICT WITH THE ABOVE UNOFFICIAL STATEMENT BY JOHNSON IN THAT WE BELIVE THE IMF WOULD NOT CONCUR READILY TO PRESSING GKR FOR CONTRIBUTING FROM THEIR INCREASED EXPORT EARNINGS IF THEY BELIEVED THE BLOCKED FRENCH FRANCS

WOULD BECOME AVAILABLE. FURTHER, IMF AGREEMENT THAT 1974 ESF
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LEVEL WOULD BE \$20-25 MILLION IS NOT CONSISTENT IF THEY EXPECT A GKR CONTRIBUTION IN THE NEIGHBORHOOD OF \$8 MILLION.

5. RE REF (B) PARA.5, WE WOULD WANT TO APPROACH THE IDEA OF LARGE ESF CARRYOVER INTO 1974 CAREFULLY UNTIL ISSUE OF BLOCKED FRENCH FRANCS BECOMES CLARIFIED BY IMF. LARGE ESF CARRYOVER FEASIBLE BASED ON CURRENT LEVEL SALES; HOWEVER, IF POLITICAL/MILITARY SITUATION STABILIZES OR IMPROVES, WE ANTICIPATE SURGE IN DEMAND ON ESF

THAT COULD
MAKE LARGE CARRYOVER VERY DIFFICULT GIVEN IMF AND GKR
IDEAS ON EXCHANGE RATE POLICY.
SWANK

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